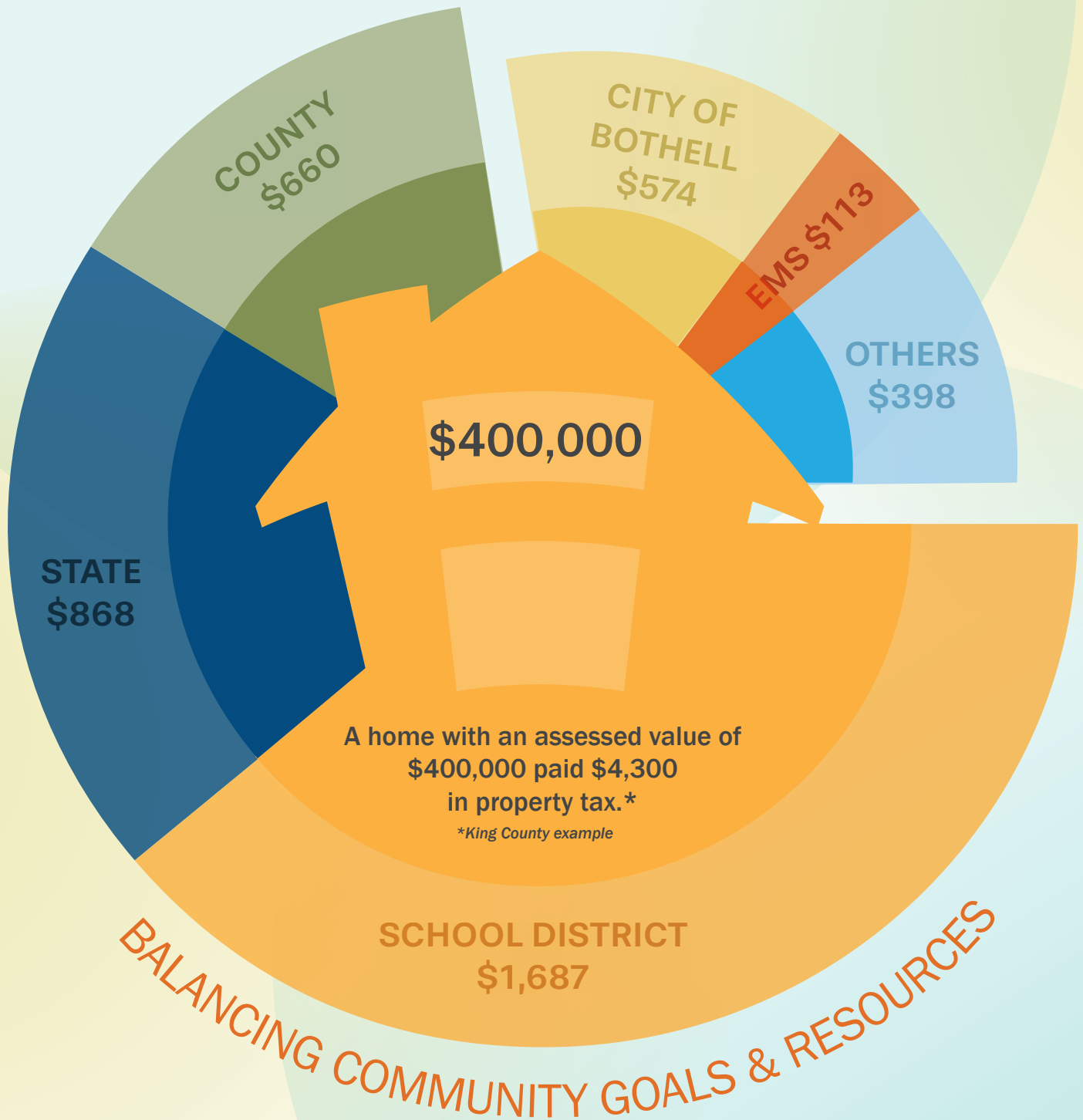


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Results of 2016 Operations

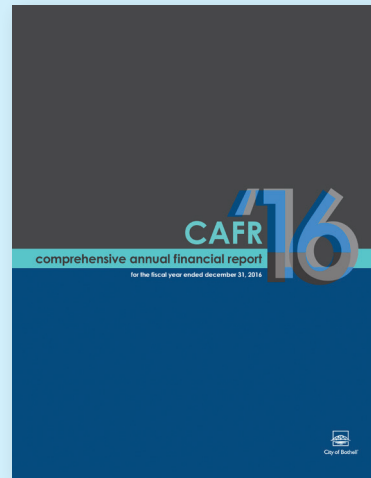


RESIDENTS & STAKEHOLDERS

The information presented in this document provides a pictorial illustration of the results of operations as reported in the City's 2016 Comprehensive Annual Financial Report (CAFR).

The CAFR was prepared by the City's Finance Department in accordance with State statute RCW 43.09.230. State law further required an independent audit of the CAFR data which was conducted by the Washington State Auditor's Office.

Bothell's CAFR has earned the Government Finance & Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting annually since 2002.



BOTHELL CITY COUNCIL & CITY MANAGER



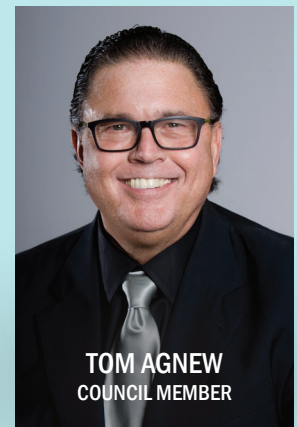
ANDY RHEUME
MAYOR



DAVINA DUERR
DEPUTY MAYOR



JAMES MCNEAL
COUNCIL MEMBER



TOM AGNEW
COUNCIL MEMBER



JEANNE ZORNES
COUNCIL MEMBER



LIAM OLSEN
COUNCIL MEMBER



ROSEMARY MCAULIFFE
COUNCIL MEMBER



JENNIFER PHILLIPS
CITY MANAGER

2015 -2016 COUNCIL FOCUS AREAS



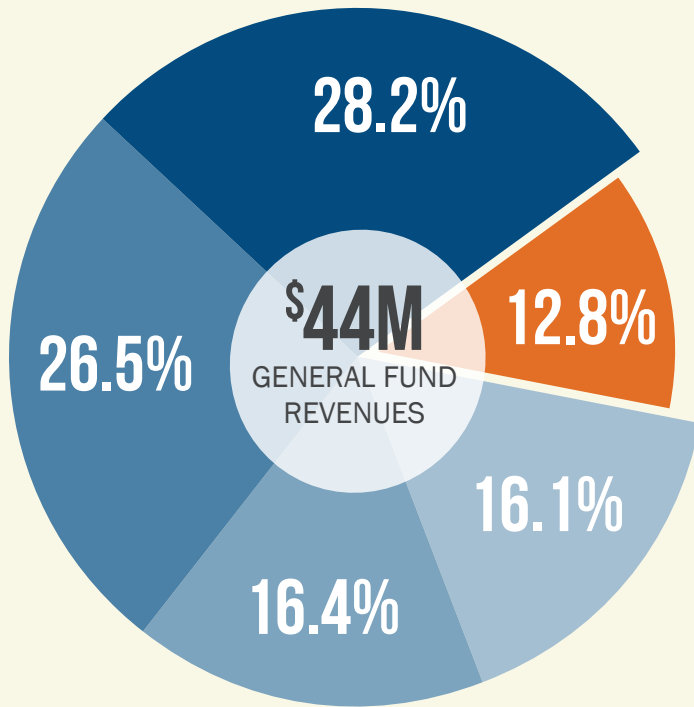
What does the 2016 CAFR convey about the City's Focus Areas?

The City's **Financial Stability** is being impacted by the increasing cost of **Public Safety & Security** thereby impacting the community's **Quality of Life & Livability**.

Economic Development continues to evolve as prescribed in the City's *Imagine Bothell...* Comprehensive Plan and Capital Facilities Plan. Staff investment in **Community Connections/Involvement** is on-going.

WHERE DOES FUNDING COME FROM?

The General Fund relies on four main revenue streams



28.2% SALES TAX

The City receives less than 1% of the 10% sales tax collected on retail purchases.

16.1 % UTILITY TAX

The City collects 6% tax on utility provider's revenues such as electricity, natural gas & telephone.

26.5% PROPERTY TAX

The City collects \$1.33 per \$1,000 of assessed value. A \$400,000 property generated \$574.

12.8% OTHER REVENUES

Inter-governmental revenues, fines & forfeitures.

16.4% CHARGES FOR SERVICES

Permits, court, impact & user fees.

HOW IS FUNDING USED?

The majority of municipal resources are allocated to public safety expenditures

51.6% SECURITY OF PERSONS AND PROPERTY

24/7 police & fire response.

8.7% PHYSICAL & ECONOMIC ENVIRONMENT

City Planning & Development Services.

22.7% GENERAL GOVERNMENT

Council, clerk, court, HR, IS, finance, tourism, community events, executive, disaster preparedness & human services.

3.8% OTHER EXPENDITURES

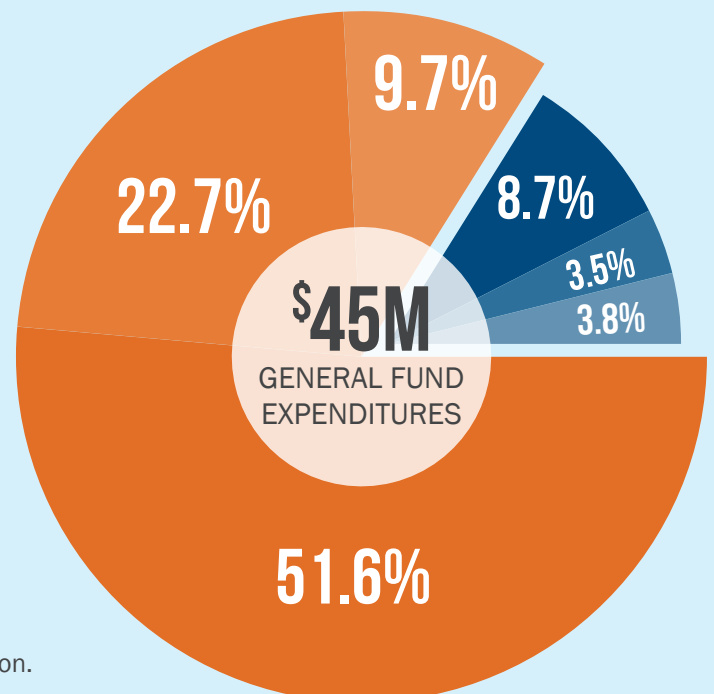
Transfers out & Capital outlays.

9.7% TRANSPORTATION

Safe & efficient transportation system.

3.5% CULTURE & RECREATION

Park Maintenance & Recreation.



WHY ARE 2016 EXPENDITURES HIGHER THAN 2016 REVENUES?

- Cities are responsible for providing a wide-range of services to their citizens. This is accomplished through the efforts of City staff. A three percent unemployment environment inherently escalates the cost of recruiting and retaining skilled personnel.
- The opioid epidemic, insufficient mental health resources, homelessness, joblessness and property crimes have put an overwhelmingly high demand on the community's public safety services (first responders, court, jail, probation, human services and park maintenance workers).

How much does the city owe?

\$96 MILLION
OUTSTANDING DEBT



City of Bothell

\$526 MILLION
AVAILABLE DEBT CAPACITY

City of Bothell

Member Since 1909

\$622 MILLION
CITY CREDIT LIMIT

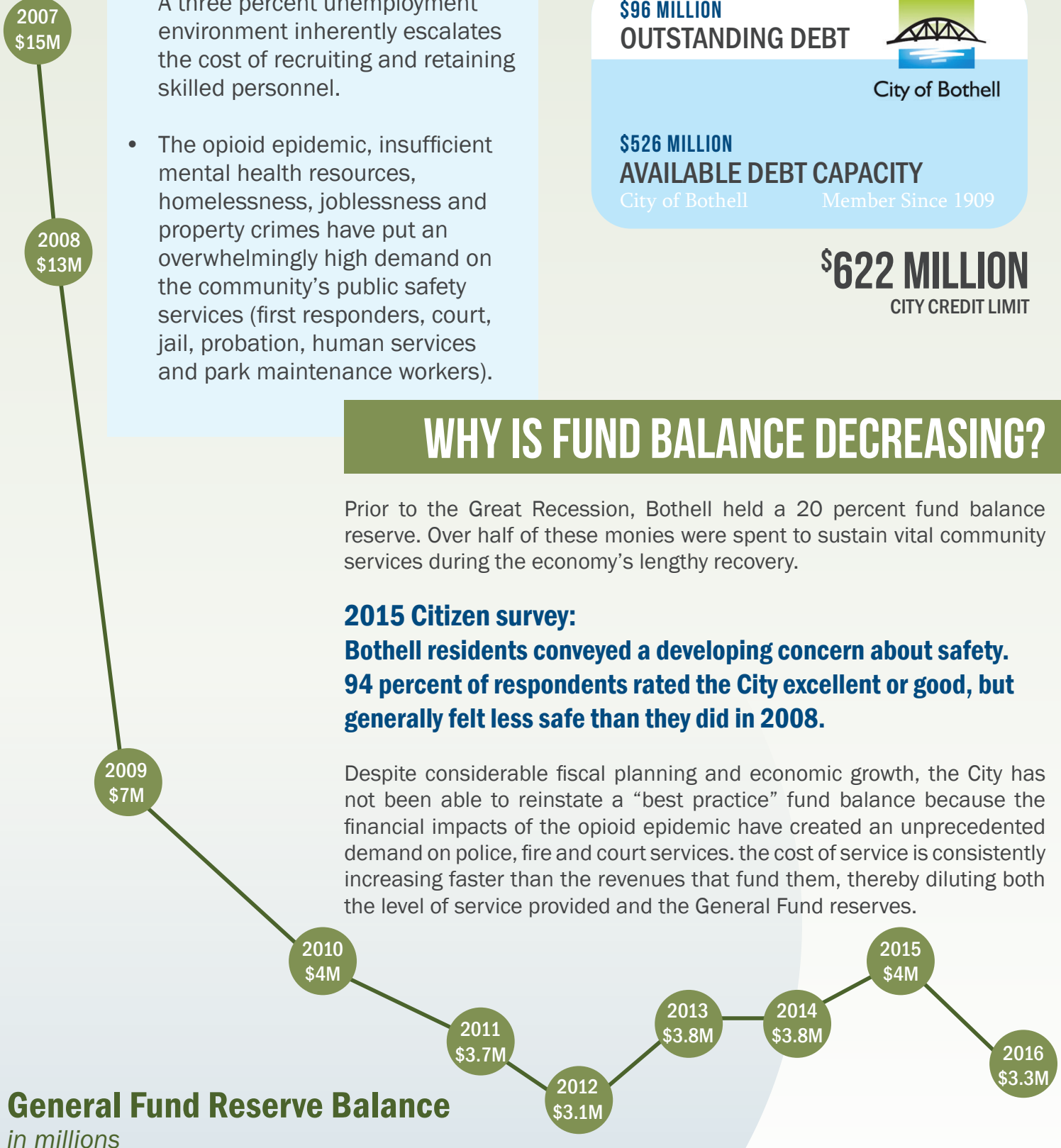
WHY IS FUND BALANCE DECREASING?

Prior to the Great Recession, Bothell held a 20 percent fund balance reserve. Over half of these monies were spent to sustain vital community services during the economy's lengthy recovery.

2015 Citizen survey:

Bothell residents conveyed a developing concern about safety. 94 percent of respondents rated the City excellent or good, but generally felt less safe than they did in 2008.

Despite considerable fiscal planning and economic growth, the City has not been able to reinstate a "best practice" fund balance because the financial impacts of the opioid epidemic have created an unprecedented demand on police, fire and court services. the cost of service is consistently increasing faster than the revenues that fund them, thereby diluting both the level of service provided and the General Fund reserves.



HIGHLIGHTS FROM MOODY'S CREDIT OPINION

Recent credit opinion based on Bothell's 2016 CAFR

- The City has a large and growing tax base with an affluent population.
- Bothell's assessed value was \$9.9 billion, an increase of 19.3% year over year, and 43% higher than was pre-recession peak of \$6.9 billion in 2009.
- The City has an average and manageable debt burden, with no plans for additional non-voted debt.
- The City's operating reserve has weakened recently because service delivery levels straining the General Fund.
- In 2016, to make up for long ago eliminated Motor Vehicle Excise Tax revenues that funded street maintenance, voters passed a Safe Streets & Sidewalks levy that yields over \$4 million annually for nine years.
- In 2018, the city is considering a public safety levy to help alleviate the cost of rising public safety costs.

HIGH

Moody's Rating

LOW

Aaa

Aa1, Aa2, Aa3

A1, A2, A3

Baa1, Baa2, Baa3, Baa4

Ba1, Ba2, Ba3

B1, B2, B3

Caa1, Caa2, Caa3, Ca

On December 19, 2017, based on their analysis of the City's 2016 CAFR, Moody's assigned Bothell an Aa2 issuer rating.

What does all this mean for Bothell?

Moody's was frank in their assessment of the City's 2016 CAFR -- going forward the City's ability to leverage its one-time and potential new ongoing revenue (public safety levy) to stabilize the current budget imbalance, and restore fund reserves in-line with Aa2-rated peers will drive their next rating review (2018) and resultant credit opinion (rating) for Bothell.

Bothell

ASSESSED
PROPERTY
VALUE

\$9.9B

POPULATION
SERVED

44,000

300

PARK ACRES
MAINTAINED

26TH

LARGEST
OF 281
CITIES IN
WASHINGTON

175,000

PUBLIC FACILITIES
SQ. FOOTAGE
MAINTAINED

YOUR 2016 CITY FACTS

Hired

IS & HR
SERVED

324

BOTHELL
EMPLOYEES

14 SQUARE
MILES SERVED



911

6,253

FIRE/EMS
RESPONSES

911

30,000

POLICE CALLS
RESPONSES



DISTRIBUTED

21,000

DISASTER
PREPAREDNESS
KITS